

**CITY COUNCIL FINAL CHANGES
TO PROPOSED 2006-2007 BUDGET
MONDAY, AUGUST 9, 2006**

Present: Council Chair Patte Newman; Council Members: Jon Camp, Jonathan Cook, Robin Eschliman, Dan Marvin, Annette McRoy, Ken Svoboda; Mayor Coleen Seng, Department Directors; and Staff.

Council Chair Newman opened the meeting to discuss the final changes of the 2006-2007 Budget.

Steve Hubka, Budget Officer, came forward and stated that the City Council has reviewed the Mayor's budget, and will make all final changes to the 2006-2007 Budget at this meeting today. He stated from this point forward, they would be preparing a final schedule that the Council will have a chance to adopt on August 31st, which is their regular scheduled meeting. He told the Council members that the administrative changes are listed in front of them in reverse department order, as Council Chair Newman had asked him to do. He said that the items that were acted upon, and the items that were approved, are also listed. Steve then handed out a chart to the Council members that show the total amount of dollars of reductions and additions to the budget.

Newman announced that she would like them to start with the tentative changes list that Steve prepared for them.

Cook moved to approve the tentative changes list from the July 19th meeting that totaled \$898,448 in general revenue reductions, seconded by Marvin. McRoy made a friendly amendment to remove the Economic Development Specialist under Urban Development and restore that position back as it appeared in the Mayor's budget, seconded by Marvin. Camp made an additional friendly amendment to McRoy's amendment saying that the position will be restored, but Urban Development will have to come up with the \$17,600 from their savings. AYES: Eschliman, Svoboda, Camp; NAYS: McRoy, Newman, Marvin, Cook. Motion failed, 3-4. McRoy then made a motion to restore the Economic Development Specialist position as it was originally funded under the Mayor's budget, seconded by Marvin. AYES: McRoy, Eschliman, Svoboda, Newman, Marvin, Camp, Cook; NAYS: None. Motion carried, 7-0.

Marvin made a motion to move the alternate proposal on the Public Works & Utilities staff of Water and Wastewater, which deals with specific cuts to accomplish the one percent reductions to replace the original proposal from July 19th meeting, seconded by McRoy. AYES: McRoy, Eschliman, Svoboda, Newman, Marvin, Camp, Cook; NAYS: None. Motion carried, 7-0.

Svoboda made a motion to restore the City Traffic Engineer position, which was seconded by Camp. Camp made a friendly amendment to restore the position with durable street construction money, seconded by Svoboda. AYES: Eschliman, Svoboda, Camp; NAYS: McRoy, Newman, Marvin, Cook. Motion failed, 3-4.

Eschliman made a motion to change the 911 cut from \$50,000 to \$10,000, seconded by Marvin. AYES: McRoy, Eschliman, Svoboda, Newman, Marvin, Cook; NAYS: Camp. Motion carried, 6-1.

The tentative changes list from the July 19th meeting was approved with all the new motions and amendments, seconded by Marvin. AYES: McRoy, Eschliman, Svoboda, Newman, Marvin, Camp, Cook; NAYS: None. Motion carried, 7-0.

Cook made a motion to move the page that contains the carryover money, the Aquila money, and some other changes, seconded by Marvin.

Steve Hubka then gave the Council members a handout, in which Eschlman asked him to explain.

Hubka stated that the handout shows a Schedule of the 2006-2007 City Share of Joint Budgets, and a Schedule of the 2006-2007 City Share of County Agencies. He also said to help the Council members get an idea of what this worksheet is all about, that he will start back from the beginning. He stated that back in the early 1990's they recognized that they had a problem that many governments do, which is if you don't spend your entire budget, you would then lose the money. So they tried doing something to prevent that from happening. He said that around 1992 or 1993, they came up with a method with the City Attorney of reappropriating money that wasn't expended from the department's budgets, which has now been a policy for about 12 to 13 years. He said that there have only been a couple of times that they had to go and raid those departments' reappropriations. The most notable time was around 1997/1998, after a snowstorm and when they had a court settlement in a fire fighters case.

Steve stated that since then, the City Council has approved in the budget resolution so each departments give the budget office a yearly estimate of what they think that they will have at the end of the year. He stated that they also keep track of what they have carried over from the prior years. In late September, the year-end reports come in, and then they reappropriate what is left. So he said what they are dealing with in the middle column on his sheet titled "Mayor's Recommended Budget", is an estimate of what the departments think that they will have at the end of August. However, they do have about another three weeks left to do their business before the end of the fiscal year. He said that the number in the middle column titled "Mayor's Recommended Budget" is much more of a tentative number then the numbers on the left column, and those are numbers that were brought into this fiscal year.

Hubka verified with Cook that he is using a portion of the total, which is the right-hand column. Hubka stated that the amounts that Cook has on his sheet will be available because he hasn't taken all of them. But there are some policy issues that he thinks are bigger issues than that, and the departments might have something to say about that. Steve said that this is a 180-degree shift in the way they have handled this in the past. They are not matching up current years appropriations with next years budget, as far as expenditures. These appropriations are spending authority, and are not additional dollars of revenue, which means that they are borrowing from the past to fund next years budget. He said that this would force them to fund that budget, meaning that the appropriations won't be there in future years. Steve told the Council members to make sure that they are aware that they are digging themselves into a hole, and to remember that when they go to vote on this.

McRoy asked if they are borrowing from past to pay for the future, wasn't the money technically in a previous years budget, meaning that at some point it was actually revenue that was budgeted previously.

Steve agreed with McRoy's statement by saying that in a lot of ways, this is similar to budgeting the additional amounts of the fund balance. These appear on our financial statements every year as a designation or a reserve of a fund balance. Steve also stated that their office has a strict policy stating that if any department wants to spend that money, then they have to put it in writing where the savings came from and what they want to use it for. He said they have not allowed any department to fund any new programs, such as new staff or on-going programs. He said it has strictly been things that have a one-time type of cost.

As the Council members reviewed the carryover list, Svoboda asked Cook why the City Council Department was left off of his list. Svoboda said that he felt that since nearly every other department had some cutbacks, that maybe their department should too. Cook stated that he didn't include some of the smaller departments on the list. He also stated that since they lost a position in their office, that he felt that they weren't sure what they were going to do with that vacant position so he kept that money in there for that option.

Svoboda asked if he could offer a friendly amendment to take money out of their fund. He said that if they decided later to add back that position, then they could go through the public process like everyone else does. Svoboda then officially made a friendly amendment to remove \$40,000 from the City Council carryover funds, seconded by Camp. AYES: McRoy, Eschliman, Svoboda; NAYS: Newman, Marvin, Camp, Cook. Motion failed, 3-4.

McRoy made a motion to cut the City Council line item by \$34,000, seconded by Eschliman. AYES: McRoy, Eschliman, Svoboda, Marvin, Camp; NAYS: Newman. Motion carried, 6-1.

Camp made a motion to cut an additional \$35,000 from the Fire Department, seconded by Eschliman. AYES: Eschliman, Camp; NAYS: McRoy, Svoboda, Newman, Marvin, Camp, Cook. Motion failed, 2-5.

Newman allowed Rich Furasek, the Assistant Fire Chief, to come forward because he was one of the departments that Cook did not get to speak with. Rich stated that with all their retirements that they have in their department that it will cost them \$400,000 that they will have to pay out of this coming fiscal year and their has been nothing added to their budget to cover that. He stated that they would have to pay that out for their drop program.

Eschliman made a motion to take 50 percent of the carryover from Human Rights, Personnel, WIA, Affirmative Action, and Women's Commission, seconded by Svoboda. Cook asked Eschliman if she would accept his friendly amendment to take 25 percent of those numbers instead of 50 percent. Eschliman accepted a friendly amendment. AYES: Eschliman, Camp; NAYS: McRoy, Svoboda, Newman, Marvin, Cook. Motion failed, 2-5.

Mark Bowen, the Mayor's Chief of Staff, came forward and stated that since the lobbyist position is still on the list as one of the cuts, he wanted to stand up and discourage the City Council against cutting that position. He stated that this is the person who goes out to Washington D.C. and tries to attract additional federal dollars for them, especially street construction dollars. He stated that he felt it would be a step backwards if they cut that position.

McRoy made a motion to restore the Lobbyist position back into the budget, seconded by Marvin. AYES: McRoy, Eschliman, Newman, Marvin; NAYS: Svoboda, Camp, Cook. Motion carried, 4-3.

Cook stated that with those changes made to his list, and the Lobbyist position being removed from the list, that he felt it would be good to go ahead and vote on this list of budget changes with the amendments as a package, and see if there are any other changes to be made that anyone would like to propose. AYES: McRoy, Eschliman, Svoboda, Newman, Marvin, Camp, Cook. Motion carried, 7-0.

Cook stated that he would like to add the cut of the two senior engineer specialist positions. He said that this was discussed at the July meeting, but he had questions about the funding source, so that is why it wasn't added to the original list.

Roger Figard, City Engineer, came forward and stated that he would like some clear direction from the City Council regarding what it is that they are proposing to cut, and what services that they would not be able to do if the cut took place. Roger then further explained his reasoning as to why they really need those two positions.

Eschliman then explained that she is following the suggestions of the Zucker Report.

Darl Naumann, Economic Development Coordinator from the Mayors Office, came forward and stated that they are interested in doing a Pre-Council to inform them of the committee that reviewed the recommendation that was sent to the Mayor. He said that the committee is chaired by Bill Austin, and he would like to make a presentation of the final report to the City Council, Chamber of Commerce, LIBA, and LPED to discuss the implications of these recommendations. He stated that there were 62 recommendations from Bill Austin's committee, which is represented by developers, engineers, and architects, all from the private sector. The public sector was included there as resources, and they are recommending 62 of these recommendations for implementation. He stated the four of the five that were rejected by the committee were reduction of engineering staff.

Marvin stated that he would not support this cut. Cook then stated that his overall concern is that they have some problems in the Public Works department, and they have had some real difficulties with a variety of issues that have come up. He stated that he feels it is critical that they address these issues and he is willing, at this time, to not vote to cut the two positions but only with the understanding that they are really going to work hard this fall to fix some of those problems. Svoboda stated that he also agreed with Marvin, and feels that he could not support this cut after hearing some of that information today.

Eschliman then made a motion to cut the two senior engineer specialist positions that total \$134,000, seconded by Cook. Cook wanted to note that he voted to keep this cut in the first round, so he is being consistent with his first vote. AYES: None; NAYS: McRoy, Eschliman, Svoboda, Newman, Marvin, Camp, Cook. Motion failed, 0-7.

Hubka stated that they now have the Administrations List to approve, with the exception of a couple of items that were approved at the July 19th meeting, which those items on that list are struck out. He stated that the fire position was eliminated, and the Council eliminated the other position that was a reclassification of the Office Manager position to a Senior Office Assistant position in Human Rights. He said that the only new item is on the third page, which is to replace the revenue that they are not getting from increasing the planning fees with property tax revenue.

Svoboda made a motion to approve the list that was submitted by Finance for the tax funds and non-tax funds of the tentatively approved Council action on the July 19th meeting, as well as the not previously acted on items of tax funds as indicated by Steve Hubka, seconded by Marvin. AYES: McRoy, Eschliman, Svoboda, Newman, Marvin, Camp, Cook; NAYS: None. Motion carried, 7-0.

Cook stated that he had a amendment to the Public Utilities CIP under the wastewater division, project 15, for \$500,000, which he would like to move that the item be struck from the CIP, seconded by McRoy. Cook stated they heard a lot of testimony on this item at the public hearing, and he feels there is great concern on weather it is justified at this time to acquire a site for the plant.

Karl Fredrickson came forward and stated that he agrees with the Council that they did receive a lot of testimony during their meeting regarding the studies. Karl stated that the CIP is obviously more than one day, and it will last until August 31, 2007. Those studies will occur on going before any purchases are done. If the studies aren't done during the current fiscal year, then it will go onto the next fiscal year. He said that once it's all appropriated, then it will all be listed in the study. Karl stated that once these studies are completed, whatever they may say, there would still be the need for Lincoln to grow. He said that the timing of building this project is still a long way into the future, and the current issue that they are focusing on is where the location is going to be. So in order to let people know, he said there is a need to require a site so they can build accordingly around it today. He said that thirty years from now the opportunity for that location might not be there.

Svoboda asked Steve Masters to explain the process, should the studies come forward and identify a site with a cost benefit analysis. Svoboda also asked Masters for a clarification that if the council did vote against this item, and allowed the CIP to go forward, then they wouldn't go out and acquire any land without coming back to them first.

Steve Masters stated that their intent is to bring forward a report, and as they focus in on sites, then they would have a public hearing with the Planning Commission and the City Council. He stated that the approval of the dollars with this item would actually be used in further study before a final decision is made.

Svoboda asked if the studies determine that it is not fiscally prudent to site a treatment plant in that area, or anywhere in Southwest Lincoln, then if that would be the end of that subject.

Karl answered Svoboda's question by stating that he is correct. Svoboda then stated that if it is increased size of the Northeast plant that is needed, then they would move forward with that site at that point in time. Karl stated that these are enterprise funds in wastewater, so they would reappropriate them into a different capital project if needed.

Newman stated that she wanted it on the record that she has confirmed with Steve Masters twice before that they can't acquire land without prior consent of the City Council. She also stated that she thought there was a policy in place that states that if the money is in the CIP, then they can't acquire any land with that money, but they could use it for a study.

Steve Masters agreed and said that they will not purchase a site, or an option on a site, without bringing it to the Council first. He said that their intent was to simply have dollars in the program to purchase an option, but only in the event if they did reach an agreement on the site.

Cook suggested that they leave the \$500,000 out of the budget at this time, so that they would insure that it would come back to the City Council where they will have a full public hearing on that decision, or any study that is taken place at that time.

Marvin Krout came forward and stated that when you put an item back into the CIP, it then has to become an amendment, which then has to be reviewed by the Planning Commission and approved by the City Council. Marvin stated that with his email that he previously sent to the Council, that he was simply intending to save everyone some time by suggesting that they remove it from the CIP and talk about it at a later date so they could get some more information on the matter.

Karl came forward and suggested that the council make an amendment to the CIP, on line item 15, by striking the words "acquisition and option" and replace it with the word "study".

McRoy then made a motion to amend the CIP to make it a study by asking that on page 146, line item 15, that they remove the word "acquisition" and replace it with the word, "study", which was seconded by Marvin. AYES: McRoy, Eschliman, Svoboda, Newman, Marvin, Camp, Cook; NAYS: None. Motion passed, 7-0.

Camp stated that he would just like to say that he is still concerned with the situation of the Fire Department with the study that is taking place, and the lack of Fire Chief. He said that depending on what the Mayor comes forth with, he might want an entire performance audit performed on their department.

Eschliman stated that there were three issues that were brought up at previous meetings for additional cuts that she would like to talk about. Those cuts were the following: two new vehicles for Building & Safety, cutting \$20,000 from the miscellaneous data processing and systems development, and cutting \$20,000 from striping bike lanes on walking trails. She asked that the Council members who previous brought up those cuts, to please talk about them now.

McRoy stated that she spoke with Mike Merwick from Building and Safety regarding the two new vehicles. She found that the vehicles were not funded from the General Fund Revenue but were paid for from user fees that were generated from revenue from other departments. She said that they have accumulated these funds to purchase these vehicles.

Mike Merwick came forward and stated that the vehicles would not be purchased from the general fund, but from the enterprise fund. He stated that the cars are budgeted over a period of time and then after seven years and so many miles they are then replaced. He said that they are replacing older vehicles, not new vehicles. Mike said that if they reduce the general fund, that it would not affect the purchase of these two vehicles because these cars are fee funded.

Eschliman made a motion to reduce the general funding about \$44,000, which is the equivalent of the two cars Building & Safety would like to purchase, seconded by McRoy. AYES: None; NAYS: McRoy, Eschliman, Svoboda, Newman, Marvin, Camp, Cook. Motion failed, 0-7.

Dan Marvin stated that he would like to call the question, seconded by Cook. AYES: McRoy, Eschliman, Svoboda, Newman, Marvin, Camp, Cook; NAYS: None. Motion carried, 7-0.

Eschliman then made a motion to defer the striping of the bike trails to a later year, and reduce \$20,000 from the general fund, seconded by Camp. Svoboda asked if they could do this by a policy recommendation as opposed to a vote within the budget.

Lynn Johnson came forward and stated that last year they spent \$7,039 on labor. He said that the full time painter, and his part-time assistant, do all of their painting of parking lots, trail striping, and their 212 buildings. He is guessing that they spent between \$1,000 and \$2,000 on the paint for the trails. He said that if the Council does not want them to use the paint on the trails, that they could certainly use the paint for some other structures that they get complaints on. He also stated that they typically do not stripe the eight-foot wide trails, but they do stripe the highly used ten-foot trails mainly for safety purposes. He said that he knows they will get complaints if they do not stripe those highly utilized trails because a lot of the eight foot heavily used trail lines are fading which makes it hard for people to know which side of the trail to stay on.

Eschliman made an amendment to reduce her motion from \$20,000 to \$9,000, seconded by Camp. AYES: Eschliman, Camp; NAYS: McRoy, Svoboda, Newman, Marvin, Cook. Motion failed, 2-5.

Eschliman then stated that she would like to withdraw her third item because Mark Bowen answered her question.

Steve Hubka stated that he would like to have somebody move to approve the 2006/07 Operating Budget and CIP as amended and approve the tax rate preliminarily. Svoboda moved Hubka's statement, which was seconded by Marvin. AYES: McRoy, Svoboda, Newman, Marvin, Cook; NAYS: Eschliman, Camp. Motion carried, 5-2.

Diabetes

Steve explained that on August 21st the Council would have a resolution before them that will need to be adopted as the budget in order for them to meet their charter deadline. He said that his office will be preparing that document, and they hope to have the final valuations from the County Assessor soon so they will know precisely what the tax rate needs to be in order to fund the budget. After the budget is approved, then there will be a separate resolution specifically on the tax rate.

Camp stated that it has been a tough budget process, especially with the flat sales tax that everyone has experienced in the last year. He said that he just wants to caution everybody that after this year, they can't be total oblivious to what happens next year, which he predicts will be even more difficult than this years budget. He said that they have had the real estate re-evaluations, which is allowing around a six percent increase, and they will not have that next year, and he isn't sure where sales tax will go. He said that today they have used about \$1.1 million of the unallocated fund balances of the reappropriated carryover money. He said as Steve has cautioned them earlier, that could be digging themselves into a hole. Camp said as they go thru various issues this coming year, he is going to remind everyone to remember to be very cautious to see what those actions will do on the long-term expenditures. He said that he feels that they will all be challenged significantly over the next coming year, and they should all be ready for it.